

# Personal Finance

## Home Ownership Project

Congratulations ... you are shopping for your first home. Your spouse and you have combined income of \$85,000 a year. Industry experts recommend that the most that should be spent on a home is 2.5 times your annual income.

1. Determine the maximum amount you should spend on your future home.
2. Using the Internet, find an ad or listing for a home in your price rate. Print the ad or listing so that you have a description of the features of the house.
3. Find an amortization table on the Internet. (Bankrate.com) Determine your monthly mortgage payment based on current interest rates. Assume that you have enough money saved up to put 10% down on the home.

The price of the home I found is \_\_\_\_\_.

My down payment (20%) is \_\_\_\_\_.

The amount I need to borrow/mortgage to purchase my home is \_\_\_\_\_.

The interest rate I found is \_\_\_\_\_.

My monthly mortgage payment will be \_\_\_\_\_.

4. Contact a homeowner's insurance company and found out the cost of insuring this home.

The quote I got for insuring the home is \_\_\_\_\_ per \_\_\_\_\_ (month, year, etc.)

5. You only have \$15,000 to furnish your home. Using newspapers, advertisements, catalogs, garage sale ads, the Internet, or other sources, furnish your home. Provide a picture or drawing, as well as, the price you paid for each item you purchased. If you spend less than \$15,000, include a paragraph indicating what you will do with the left over money. For example, will you keep what is left in a savings account or perhaps use it as a down payment on a new car? If you purchase a car... find a website that will help you figure out your monthly payment and include it in your monthly payment and include it in your monthly budget (step 7 below) If you spend more than \$15,000, include a paragraph where you obtained the extra money to purchase the furnishings. For example, borrow it from someone or get a second job.

6. Contact companies that provide electricity, gas, water, cable television, telephone and trash pick-up. Determine the installation fees, deposits, and monthly cost of each service for the home.
7. Prepare a monthly budget for your first year as homeowners. Use Excel to create a spreadsheet to illustrate your budget. Use the following guidelines when you figure your budget:
  - Annual combined income is \$85,000. This is Gross Earnings, not Net Pay.
  - You will have to pay about 30% of your gross earning to Federal and State Income Taxes and FICA Taxes.
  - $\$85,000 \times .3 = \$25,500$  that you will PAY in taxes annually!!!
  - Net Pay = \$59,500 per year.
  - Divided this by 12 (months in a year) to get your Monthly Net Pay.
  - Attached are some budget categories and suggested percentages for you to use as a guideline.
8. Compile all the information you have collected into a binder or booklet. You will also present your findings to the class.

### **GRADING CHECKLIST**

- \_\_\_\_\_ Contains instructions pages with all blanks filled in correctly. (14 pts)
- \_\_\_\_\_ Printout of listing with features of the home. (11 pts)
- \_\_\_\_\_ Pictures of ALL home furnishing with prices for each. (25 pts)
- \_\_\_\_\_ Paragraph explaining what was done with the remainder of the \$15,000. (10 pts)
- \_\_\_\_\_ Budget has been completed correctly. (30 pts)
- \_\_\_\_\_ Overall appearance of project. (10 pts)

## BUDGET

Budget Category	Suggested Percentage	Suggested Amount	My Budgeted Amount
Savings	10% (.10 x Monthly Net Income)		
Charitable Giving	5% (.05 x Monthly Net Income)		
Housing	25% (.25 x Monthly Net Income)		
Transportation	15% (.15 x Monthly Net Income)		
Food	15% (.15 x Monthly Net Income)		
Entertainment	10% (.10 x Monthly Net Income)		
Clothing	5% (.05 x Monthly Net Income)		
Other Expenses *	15% (.15 x Monthly Net Income)		
	Total 100%		

\*Other expenses can include utilities (electricity, gas, phone, cable/satellite TV, and Internet access), medical expenses, and insurance.

How can you change your budget so that your spending is in line with the suggested amounts?